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Interim Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

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April 28, 2015

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To: Mayor Michael D. Antonovich
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Supervisor Sheila Kuehl
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From: Sachi A. Hamai
Interim Chief Executive Officer

WASHINGTON, D.C. UPDATE - PURSUIT OF COUNTY POSITION ON THE TAX EXEMPT STATUS OF STATE AND LOCAL BONDS

This memorandum contains a pursuit of County position to oppose legislation which would eliminate or limit the tax-exempt status of state and local bonds.

Background

Interest income earned by holders of the debt obligations of state and local governments has been exempt from Federal income taxes since Federal income tax on individuals was initiated in 1913. Tax-exempt state and local bonds, which commonly are called municipal bonds, are an important financing tool used by state and local governments, especially for financing capital projects. Tax-exempt bonds reduce borrowing costs for state and local governments, including the County.

Eliminating or limiting tax-exempt municipal bonds could be considered by Congress as part of deficit reduction or tax legislation this year. Eliminating the tax exempt status of municipal bonds would significantly increase Federal tax revenues, and, therefore, could be used to reduce the Federal deficit or offset the cost of reducing other Federal taxes. In August 2014, the Congressional Joint Committee on Taxation estimated that tax expenditures (i.e., Federal revenue losses) from tax-exempt interest on state and local bonds would total \$215 billion in 2014 through 2018.

"To Enrich Lives Through Effective And Caring Service"

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Pursuit of County Position on Legislation

The County's Department of Public Works, Treasurer-Tax Collector, and this office support preserving the tax-exempt status of state and local bonds. The County's Federal Agenda includes a policy to support preservation of the Federal tax-exempt status of state and local bonds. **Based on this existing policy, and unless otherwise instructed by the Board, the County's Washington, D.C. advocates will oppose legislation which would eliminate or limit the tax-exempt status of state and local bonds.**

We will continue to keep you advised.

SAH:JJ:MR
MT:lm

c: All Department Heads
Legislative Strategist